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JOINT UN/UNESCO SEMINAR ON URBANIZATION IN THE ECAFE REGION

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by
Mr John H.G. Pierson,
Director of Research and Planning Division, ECAFE Secretariat

Mr Subba Rao will be the actual rapporteur and introduce the subject, summarizing the document he has prepared and suggesting topics for discussion. I would only like to make two points that I think we ought to keep fully in mind in the course of discussing this item and the other items to follow. Both have to do with the time element.

When we talk about the effects or implications of urbanization - economic effects or social effects or any others - it is essential for clear thinking that we distinguish sharply between two different things. One is the specific effects of concentration of population in urban areas. The other is the general effects of population growth plus advance of ideas - you might call it the quantitative and

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the qualitative change in the population (though I hesitate to use a phrase like that in the presence of so many sociologists). We must keep our time perspective. What we should compare with today's or tomorrow's pattern of urbanization is some conceivable alternative pattern with the same population, not the alternative pattern we remember with yesterday's population. Otherwise we will tend to go wrong in our analysis.

I grew up mostly in a city myself - a big city, New York - but I liked the country better when I was a boy. That doesn't mean it is possible to go back to it. Of course, just the kind of country that I remember is no longer there because the population along the Atlantic seaboard of the US is now too big, no matter how you distribute it. Putting sentiment aside, since the clock cannot be turned back, the question is simply one of alternative ways of spreading the still bigger population of the future over that same territory.

This has conclusions in a number of different fields, but one of the important economic conclusions has to do with the large economic and social infrastructure investments required in big cities - electricity, transport, water supply, sewage disposal, schools, hospitals, recreation facilities, and the rest, housing of course included. There is no doubt that these costs tend to be quite staggering, and that the sheer inability of most cities to keep up with the need for these basic facilities is responsible for much of the misery that large populations in urban slums of Asia and many other parts of the world have to endure. Yet, to be fair, we must ask ourselves how much of this infrastructure requirement would really be avoided were the same large populations more evenly spread out - taking into account not the environment of yesterday but modern ideas, techniques and mobility. Once we have decided that today's ingenuity and today's demands are here to stay, it may be that we will even discover that in the long run the way to economize on the cost of infrastructure is to concentrate it in large cities. Or perhaps there would not be much difference in these costs one way or the other. At least the question should be asked.

/Here again

Here again the time dimension is important, in a different way. In discussing the short run, when the burden of infrastructure or overhead costs is greater in cities if only because needs when piled-up together become too obvious to ignore, as they can still be largely ignored for a while in the traditional countryside, we should be careful to keep in focus too the longer-run comparison. In the longer run, as poverty is overcome by society's increased productivity, we can expect that the really required costs will be recognized as such both in city and in country, and that the costs seen to be required will actually be able to be afforded and will be met. So, in our long-term planning about the question of concentration in urban areas as such, as distinct from our long-term planning for economic development generally, the merits and demerits of urbanism can perhaps be viewed less in terms of relative costs and more in terms of relative advantages - economic, social and aesthetic.

To sum up, what I am suggesting is that I think it will help very much if we can succeed, during our present analysis of the facts, in keeping the effects of urbanization as such separate and distinct from the effects of population growth and modernization in general, and if we can also, during our later discussion of policies, keep the remedies that may be required by urbanization as such separate and distinct from the remedies required to cure poverty and economic under-development in general.

Statement by Mr G.V. Subba Rao, ECAFE Secretariat

I.

Basic to the understanding of the economic aspects of the process of urbanization are two propositions.

Economic development, based on the technology of the past as well as the one which presently obtains, results almost invariably in an accentuation of the process of urbanization. Briefly the reasons for this are: economic development implies a change in the occupational structure of the working force towards non-agricultural activities. Non-agriculturism, or industrialization as we may call it, is not as space-oriented as agriculture. When we examine

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the theories of economic specialization and spatial distribution of economic activities and hence of population, the link between economies of specialization on the one hand and economies of localization becomes very clear. What are usually referred to by economists as external economies could at the same time be looked upon as economies of localization. As much as there is a gain in efficiency due to the expansion of the size of the firm, there is also a similar gain in the juxtaposition of producing units if these are related by what are called economies of industrial linkage. These benefits of localization apply as much to small units of production as to large factories. Thus there are enduring economic benefits if production processes are agglomerated together.

Secondly, more than the development of secondary industry, the growth of tertiary, or residentiary, industry almost always implies the concentration of several servicing activities in urban areas. However, it should be noted that the preponderance of tertiary industries in urban areas of several countries of Asia does not represent the evolution of these economies from a secondary to a tertiary basis - movement identified as progressive in the long run - but signifies the growth of marginal employment and low-productive service industries, especially retail trading and domestic services.

Related to these points is the other proposition that urbanization in almost all countries in the early stages of modern economic development has generally tended to grow at a faster pace than population growth or growth of the economy. The enlargement and growth of the money exchange and commercial economy of pre-industrial societies itself implies a growth in population centres devoted to the processing and servicing activities based on the exchange of production between the interior and the ports and other break-of-bulk points and between the countryside and the towns.

Again, at least two stages can be distinguished in the industrial phase. In early stages, industrialization has generally come to concentrate on the development of consumer goods and light industries. These are more market and labour oriented than raw material or power oriented. As such these industries tend to be attracted to existing urban centres for furthering their growth and specialization. Thus industrialization, oriented towards the development of light and consumer goods industries, tends to accentuate

/the growth

the growth of the existing urban centres. In the second phase of industrialization, the development of heavy industries, based on the metal-fuel-raw material complex, tends to get away from the location pattern of the pre-industrial and the initial industrial phase and will generally give rise to the growth of new towns based on raw material resources in the interior. In several countries of Asia all these three or four factors are now simultaneously operative, thus accelerating the process of urbanization.

The fact that urbanization has generally tended to move ahead of economic development has several implications for the Asian economies, especially when these are embarking on programmes of economic and industrial development. It means that, as the process of economic development catches on, the demand for the provision of urban economic and social infrastructure investment grows much more rapidly than the growth of several other sectors. This in town means that demands for less productive projects (in the immediate sense) will be made on the scarce capital resources of these economies right in the early stages of their development. These infrastructure investments come to fruition only as economic development activities reach a tempo such as to utilize these overheads to the fullest extent. Thus these countries face in the early crucial stages of industrialization, that is, when they try to get off dead centre, certain disadvantageous factors influencing the allocation of scarce capital resources. This burden is similar to the so-called demographic burden that several under-developed countries are expected to face in the transitionary stages of economic and industrial development. This demographic burden as you know is caused by the expected widening of the gap between the death rate and the birth rate. The death rate decreases faster than the birth rate and until the eventual equilibrium at a lower level is established, a comparative transitionary burden is imposed on this score.

It is of course possible to skimp on the creation of these economic and social infrastructure investments in the initial stages of industrialization. But this skimping can be done only if a minimum body of such infrastructure facilities already exists, and we know that such a minimum body does not exist in most of the economies of Asia. The infrastructure question clearly has a bearing on whether fresh industrial and economic development projects should be

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located in the existing urban centres or whether it would be better to create them in new townships based on new developments. This is, to some extent, however, an artificial choice because older urban centres are themselves starved of these infrastructure facilities. Any overstraining on this score may be disastrous and will of course in any case result in accentuation of urban slums and squalor and congestion and in the burden on the transport, drainage and other facilities.

II.

With these general remarks I come to discuss the specific Asian situation before us. It is probably true to say that Asia is over-urbanized in relation to its degree of economic development. At comparable levels of urbanization, the developed countries of today had a correspondingly greater proportion of their labour force engaged in non-agricultural occupations. In that sense, Asia can be said to be relatively over-urbanized. The pace of urbanization, especially in the last decade, has far exceeded the growth rate of economies of Asia.

Several economic and non-economic causes have contributed to this situation of relative over-urbanization. Firstly, on the economic side, there is the push factor. The stagnancy of Asian economic development in the context of a colonial and semi-colonial setting has had the following consequences. The opening up of these economies meant, the penetration of cheap imported manufactured goods from abroad, leading to a steep decline in traditional non-agricultural occupations. Again in the feudal and semi-feudal setting of several Asian countries, the pressure on land resulted in a gradual pauperization of the peasantry and growth of an agricultural labouring class which started looking for alternative employment in cities and towns.

Thus in contrast to the situation in the earlier stages of industrialization of some developed countries of today, the volume of rural-urban migration has become relatively high in countries of Asia and this was of course not strictly dictated by the avenues of industrial and other productive employment opportunities opened up in the urban area.

Though generally the push factor predominated, the pull factor of urban centres also operated to a limited extent; this pull factor is reflected in the limited economic development based largely on a colonial or a semi-colonial pattern. The pull was to the administrative centres port towns and other transport and break-of-bulk points. More generally the pull factor was to the big city resulting

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in what Gras termed the "primate city" with areas of economic dominance. In the recent period, however, economic and industrial development is being accelerated and a new set of towns in the interior is growing up.

The implications of relative over-urbanization of several Asian countries should be carefully analysed. An excessive volume of rural-urban migration and consequent over-urbanization of these countries may not last for long. An overstraining and breakdown of the relief function of cities may bring the process to a halt. Or alternatively an accelerated and more rational pattern of economic development in both urban and rural areas may restore a healthy equilibrium between the two. In the transition, however, urban misery and rural poverty exist side by side with the result that the city can hardly be called "dynamic" as social historians of developed countries generally described the process of urbanization; both unemployment in the urban area and the under-employment in the rural areas reflect the same factor, namely the economic under-development of these countries in relation to the potential human and physical resources at the disposal of these countries. It may sound paradoxical, but in the over-populated agrarian economies of Asia: it appears to be planned and rapid industrialization that can provide the most effective remedy in the long run for urban and rural unemployment.

III.

It is suggested that we should undertake to answer the following questions concerning the evolution of Asian economic and industrial growth on the one hand and the pattern of urbanization of Asia on the other.

(a) How far is Asian urbanization associated with economic development?

(b) Has urbanization kept pace with or exceeded the economic growth or the industrial growth of the economies in Asia?

(c) Is it possible to establish the fact of any important pulls from the city based on increased economic opportunities (whether or not they are strictly <u>industrial</u> opportunities) or is the main factor the push from the countryside because of lack of expanding opportunities in the economy as a whole?

(d) How has the shift from a largely subsistence and barter economy to a commercial and subsequently to an industrial pattern of development, noticeable in recent years, affected the growth of urban centres? Has this shift tended to reinforce the effect of the other causes?

About the perspectives for the urbanization process two questions can be posed in this context. The first one deals with the long-run problem. Is urbanization a necessary concomitant of industrialization or are there effective economic alternatives for the ordering of economic activities in a de-centralized or at least less concentrated pattern? And what are the technological perspectives for facilitating such alternatives?

In the short run the problems become pressing. The economic burden of the past, namely the slums and squalor, diseases and poverty that currently prevail in several Asian cities, demand immediate attention. Economic remedial measures will have to be improvised if the situation is not to go out of hand. Here the question of utilization of surplus manpower in urban areas becomes relevant.

Summary of Discussion

Viet-Nam

The participant from Viet-Nam stated that urban population in Viet-Nam increased four-fold in the last decade or so. This growth in urban population was not based on economic or industrial developments in the urban areas.

The policy of the Government of Viet-Nam in recent years had been for the de-congestion of urban areas. The Government is planning the strengthening of the economic base of some of the medium towns by developing industrial co-operatives, handicraft centres and new industrial complexes.

Pakistan

The participant from Pakistan referred to the dilemma between economic growth on one side and employment considerations on the other. In view of the under-employment prevailing in several countries of Asia, this dilemma affected very much the short-term economic policy of the governments concerned.

In tackling the problem of urbanization in the long run adequate attention should be paid to the development of rural areas as well as rationalizing the growth of urban areas.

Sarawak

The participant from Sarawak stated that the chief problem of Sarawak was opening up the interior through the development of communications. Increased agricultural productivity is also important. At present there is no urban unemployment and the chief problem in the growing urban centres is efficient town planning.

France

The participant from France stated that attention should be paid to analysing the pattern of urban incomes, urban levels of savings and urban consumption. Consideration relating to levels of savings in urban areas would be of great importance to the formation of capital necessary for creating economic and social infrastructures in urban areas.

/Related to these

Related to these are several policy questions. Should urbanization be spread in a number of towns or is it economically desirable to work for concentration of industrial and economic complexes in a few well chosen urban centres? Should the process of urbanization be controlled, guided and planned or is it better to leave it to the forces of the free market? Urbanization is an extremely costly process; especially is this so in relation to urban land development. In the transition from agricultural to an industrial economy what should be the pattern of industrial development so as to influence the trend of urbanization? Should the emphasis be on processing and other primary industries?

Indonesia

The representative from Indonesia drew attention to some of the economic consequences of the urbanization process. So-called "employment" in urban areas, as in Djakarta, was of a marginal type. Generally speaking, money income was much higher in urban areas than in industrial areas. However, it was not certain that real income was also comparatively higher. Urbanization had several co consequences for the pattern of consumption in urban areas. In Indonesia people in urban areas were better clothed though not better fed.

United States of America

The representative from the United States stated that in America the choice some years back was between building new cities and rebuilding and expanding the old cities, and it was the latter course of action that was favoured. Recently, however, the emphasis has shifted to de-population the big cities through the development of suburban centres. He felt that under-developed countries would be better advised to concentrate on development of new cities based on new economic developments rather than embark on the costly process of rebuilding and expanding the old cities.

India

The participant from India pointed out that further studies on the question of development of urban areas in relation to types and scale of industries would be very worthwhile. There was a powerful socio-political

/movement for

movement for restraining the growth of urbanization and for emphasizing decentralized industrial development in small towns and large villages. Attention was drawn to the Bhoodan movement and other measures for the strengthening of the rural economy as a factor tending to a restrain the unplanned drift to urban areas. The second Five-Year Plan, it appears, assumes a lower rate of urbanization than in the previous decade.

ILO

The representative from ILO questioned the thesis that the urban process, as experienced in ECAFE countries, had had any beneficial implications in changing the economic motivation of people undergoing such a transition.

The General Rapporteur

Mr Hauser pointed out that there were basically three considerations relating to the economic aspects of urbanization: (1) There is a decreasing land-man ratio in several Asian countries, some of which are experiencing and are likely to experience in the future a very rapid population growth. (2) Urbanization implies certain demands on the capital resources of a country. It also implies changes in the savings propensity. As such its implications for the apportionment of the scarce capital resources of the economy need careful study. In this context it would be useful to consider the relative costs of urbanization in relation to alternative patterns of socio-economic development. (3) While in the immediate future one may reasonably expect deceleration in the rates of urbanization, it would not be realistic to assume that urbanization can be avoided. Economic development almost necessarily implies growth in urbanization.

UNESCO

Mr Veroluys pointed to the generally high cost of city growth. He emphasized that the growth of cities is very much dependent on growth of agricultural productivity; there is a definite inter-relationship between agriculture and industry and between the town and the country. A careful study of the costs of urbanization and rural urban economic relationships would be of considerable interest. Research into the problem of service cost per head in urban areas as against rural areas should be more thoroughly explored.

United Nation Bureau of Social Affairs

Mr Weissmann added that one should not look at urbanization as a liability. Urban populations can be a valuable economic resource. We should explore ways and means of utilizing this great asset.

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NOTE

To help in assessing the main causes and economic implications of the process of urbanization in Asian countries, a simple, informal questionnaire was circulated to participants of the Seminar. Replies were received from participants from 7 countries of the region. The answers to this questionnaire may be summarized briefly as follows: (1) All the respondents agreed that money incomes are higher on the average in urban than in rural areas. (2) All but one agreed that, on balance, the drift of people to urban areas has been motivated more by economic factors than by non-economic factors. (3) All felt that employment in urban areas of the region is not primarily in secondary industries. Except for two, who were not sure, the respondents indicated that tertiary industry predominates in urban areas. (4) All except two agreed that the consumption pattern in urban areas is distinctively different from that in rural areas; the two negative answers on this question moreover appeared to represent special interpretations or circumstances. (5) Answers to the question whether urbanization in the countries concerned appears to have been due more to "pull" factors than to "push" factors, or vice versa, did not lend themselves to a simple generalization. Some respondents felt that "pull" factors predominated while some others emphasized "push" factors. One respondent stressed both social "pull" factors and economic "push" factors. (6) A similar divergence (and uncertainty) of opinion was noticeable on the anwers to the question whether real incomes are higher or not, in urban than in rural areas. (7) Responses to the question whether the rate of savings is higher or lower in urban than in rural areas were similarly divided or unsure.